

Federated Labor Party

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The
Present
Economic
System

BY

Dr. William Adrian Bongers

Professor of Law, Amsterdam University

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INTRODUCTION.

In reprinting the two following chapters from Dr. William Adrian Bongers's "Criminality and Economic Conditions," the publishers feel they are meeting a long felt want in giving the public a brief and attractively written historical sketch of the development of capitalism by a Marxian student. In view of the confusion likely to arise from the manner in which the term labor is used, we append the following excerpts from Engels' introduction to Marx's "Wage, Labor and Capital." The chapter on "Militarism" needs no introduction, it speaks for itself.

"What economists had regarded as the cost of production of 'labor' was not the cost of labor, but that of the living laborer. And what they thought the laborer was selling to the capitalist, was not his labor. 'As soon as his labor really begins, says Marx, it ceases to belong to him, and therefore can no longer be sold by him.' At best, he is able to sell his FUTURE labor, *i.e.*, he can assume the obligation, to perform a definite labor service at a definite time. But by doing this he does not sell labor (which is only to BE performed) he transfers to the capitalist for a definite time (in case of time-wages) or for the sake of definite labor-power (in case of piece-wages) the control over his labor-power for a definite payment; he leases, or rather sells his LABOR-POWER. This labor-power is coalescent with and inseparable from his very person its cost of production therefore coincides with that of the individual; what the economists called the cost of production of labor, is that of the laborer and at the same time that of his labor power. It is thus that we are able to go back to the cost of production of labor to the VALUE of labor power and to determine the amount of socially necessary labor, requisite for the production of labor-power of definite quality, as Marx has done it in the chapter on 'The Buying and Selling of Labor-Power' (Cfr. Capital, Vol. I., p. II., Chap. VI., Engl. Translation.)"

"The difficulty, which brought to grief even the best economists as long as they started their reasoning with the value of 'labor' disappears as soon as we start in its stead with the value of LABOR-POWER."

THE PRESENT ECONOMIC SYSTEM¹

In order to provide for his needs, man has always been obliged to work, and this work has always depended upon the physical environment and especially upon the means of production. It is not our province to enquire how or why the means of production were developed. It is enough to show that because of their development the products which man had at his disposal were multiplied. Now when these products become too abundant for one group of producers, a surplus results, which may be exchanged for products of a different sort of which the first group of producers are deprived by reason of their circumstances. These products which are not destined for personal use but for exchange are called commodities. Consequently it is its social qualities and not its natural qualities that make a commodity of any given product. That an exchange may be made, then, two conditions must be satisfied:

First: There must have been a division of labor; for there would be no point in the exchange of identical products. The objects to be exchanged are those which have no immediate usefulness for the person who possesses them, while they are useful to those who do not possess them.

Second: The persons who are exchanging must have full power to dispose of their products—in other words, they must be the possessors of the product which they wish to exchange.

In the beginning the relative quantities of the pro-

¹This sketch is based upon Karl Marx' "Kapital" and K. Kautsky's works primarily, with some indebtedness to Marx' "Oekonomischen Lehren" and "Das Erfurter Programm."

ducts exchanged for each other must have varied greatly. But in course of time the exchange of commodities took place in a ratio fixed for any one place and time; ten hatchets, for example, being equivalent to five bows, etc. These commodities must have a common quality which makes a comparison possible; and it is this common quality which we call their value. The first problem to be solved, then, is this: "What constitutes the value of commodities?"

To become a commodity anything must provide for some need of man; it must have the value of usefulness. Without this value a product can never be a commodity. However, it is impossible that the quality which different commodities have in common, and on the basis of which they are compared, should be their usefulness, that is to say, their natural qualities. For it is just because of their difference in usefulness (to their possessors) that goods are exchanged.

"As regards their use-value goods are primarily of different quality; as regards their exchange-value they can only be of different quantity, without including a particle of use-value."¹

Since usefulness does not count in exchange, there is only one quality of the commodity that remains, that of being the product of labor. And as we have withdrawn the consideration of usefulness in estimating exchange-value, we must do the same for different kinds of work, so that the only quality which remains to a commodity is that of being the product of the labor of man in general. Any commodity then, derives its value only from the circumstance that it represents a certain amount of labor of man in general.

¹Marx, "Kapital," I. p. 4.

The value of a commodity is determined by the quantity of labor it represents, measured by the time required. Naturally by "work" is to be understood here not individual work, but social work; or as Marx says: "It is. . . the quantity of work socially necessary, or the time socially necessary for the production of a commodity, which determines its value."¹

In measure as the division of labor is developed, production for personal use diminishes, and the production of commodities increases, until it finally becomes the universal form of production, and one commodity (money) is developed as a universal equivalent. As a consequence of the development of the production of merchandise, the purchase and sale of goods becomes a special profession. The merchant buys for a different reason from that which influences his customers. While the latter buy for consumption, the former buys to sell again and make a profit out of the transaction. The commodity which serves for this purpose is called capital.

Consequently capital comes into existence at the moment when the production of commodities has attained a certain degree of development. Private property, the basis of the production of commodities, begins from that point to show its capitalistic character, at first in an imperceptible manner, which nevertheless becomes more and more developed. The income of the artisan depends primarily upon his personal qualities; that of the capitalist—as such—depends in the first place upon the amount of his capital. The working power and capacity of

¹Kapital I., p. 6. It is plain that in this exposition it is needless to add why this law is discarded under a developed system of capitalism. The exception in no way diminishes the fundamental truth of the proposition.

an individual are limited, so that the quantity that he can produce is also limited; while money can be heaped up without limit. The larger the sum of money anyone uses as capital, the more the money can produce. But the reverse of the medal is not so pretty. Side by side with the possibility of accumulating a fortune there is that of becoming poor. This fact was not prominent at the entrance of capitalism into the field, when poverty was not yet a general phenomenon, but it increased more and more, so that at present we live in a society in which the greater part of the population is poor.

In the Middle Ages the trades were developed in Europe; the division of labor increased; tools were perfected; and commerce was developed; chiefly as a consequence of the improvement of the means of communication. The maritime route to India was discovered, as well as the American continent. Enormous sums of money, acquired by means of commerce and pillage, flowed into Europe. With the discovery of these countries the outlets for trade correspondingly increased. The trades, however, not being in a position to furnish the great quantity of commodities required, the merchants determined themselves to undertake the wholesale production of articles intended exclusively for sale.

There was no lack of money to procure the raw materials and the tools, to establish workshops and to hire workmen. The only difficulty to be overcome was that of procuring these last. The workman who has in his own possession the means of production will not sell his labor. To attain their end the capitalists had to seek for persons who, having no means of production, were obliged to sell their productive energy or die of hunger.

For certain reasons it was possible for the needs of the capitalists to be satisfied. On account of the development of the market in the cities the demand for food, and for raw materials of every kind, such as wood, wool, etc., increased and agricultural production for the purpose of sale increased, so that the peasants began to have money. This latter fact complicated the relation between them and the feudal lords. So long as the rent was paid in kind the lord demanded only as much as he could consume; but from the day that the rent began to be paid in money the landowner began to press the peasant more and more, since money can always be used, and no one ever has enough. From this fact arose so severe an exploitation that many peasants left the country to take refuge in the towns.

The second reason why a large number of workmen were obtainable was that the lords themselves began to produce commodities for city markets, especially wool and wood. This took fewer laborers than agriculture, but required more land, so that many peasants were driven from their farms, and, like the others, went to swell the population of the cities.

Thus there was no further obstacle to wholesale production, and from then on raw materials were purchased, workshops established, and the labor of the proletariat procured. Human labor thus has become a commodity, corresponding exactly to definition: first, it has no use-value for the possessor if he has not the means of production, and, on the other hand, has such a value for the person possessing these means; second, the possessor of labor has the free disposition of it.

The contract is made the proletariat on the one

side furnishes the commodity—labor—and the capitalist on the other gives the equivalent of it. Now how much must be given for this commodity? In other words what is the value of the labor delivered? The value of a commodity is determined by the labor-time socially necessary for its production, in this case necessary for the proletarian and his family to live; for the workman being mortal, and capital having need of new forces, the wage must be sufficient to raise a new generation of workers. The standard of the workmens' needs is subject to variation according to time and place (the causes of which variation we need not examine here), but it is fixed for a certain country, time, and category of workers.

Let us suppose now that the process of production has a normal course, that is to say, that it comes out as the capitalist wishes. He has begun with a sum A , and ends by possessing $A+a$. We must now explain this surplus a which, in the terminology of capitalistic production, is called *surplus-value*. The surplus obtained from the labor of slaves is easily explained. The owner leaves the slaves a part of the product of their own labor to live on. The rest is his. His surplus springs from the labor of others. The relation of the serf and his lord is, if possible, even clearer. The serf works part of the week for himself and on the remaining days for his master. The explanation of the surplus produced by capital employed at usury or in primitive commerce (the most ancient forms under which capital was employed) no longer offer any great difficulties. The usurer appropriated to himself the possessions of the borrower little by little and so ruined him completely. The primitive merchant

made himself a surplus by selling dear something that he had bought at a trivial price, a transaction which involved no increase in value. Now it is just this increase in value that is to be explained upon the basis of the law that things of equal value are exchanged, and not, as in the cases cited above, upon the exceptions to the law.

If we represent the transaction of one who buys, not to make a profit, but to exchange something which has no use-value for him for something which has such value (the simple circulation of commodities), by the formula $C-M-C$, in which C stands for commodities and M for money, we can represent the transaction of the capitalist by $M-C-(M+m)$. In this formula m stands for the surplus-value accruing to the capitalist at the end of a successful operation. The latter formula is composed of the factors $M-C$; the purchase of the commodity, and $C-(M+m)$, the sale. According to the law of the circulation of commodities the value of M ought to be equal to C , but C in turn must be equal to $M+m$, a thing which is possible only if C is a commodity which, while it is being consumed, produces a value greater than what it has. However, there is no value without labor; consequently the formula cited can harmonize with reality only if labor is itself a commodity. And, as we have seen above, it is such from the moment that the economic development has reached a certain point.

What is now the course of the production of the surplus-value? The capitalist has fitted up a factory, has procured tools and raw material, has hired labor, and the process of production commences. Suppose that the necessaries of life for

the workman and his family may be produced by six hours of work socially necessary; by making him work, then, six hours the capitalist will have a product equal to that of the raw material used, increased by that which is given it by the tools and by the labor which the workman has put upon it. This value, however, has been entirely paid out by the capitalist; he has no surplus left; the transaction has failed. But ordinarily the process succeeds, in procuring profits for the capitalist, since in the contract between him and the laborer it is not stipulated that the latter shall work only the number of hours necessary to produce enough for his own needs. On the contrary the workman is compelled to labor as long as his strength will permit. The value produced by the workman after the time necessary for the production of the equivalent of his needs falls to the capitalist, and this it is which constitutes the surplus-value, the value derived from work not paid for.

The aim of the capitalist is to procure for himself as large a surplus-value as possible. He can attain his end at once by forcing the laborer to work as long a time as it is possible for him to work. From this springs the irreconcilable conflict between the interests of the proletariat and those of capital, the combat over the length of the working-day. The day has its natural limits (it is necessary that certain hours be left to the workman for food and rest), its legal limits (decreed too late by the state, driven on one side by the workers themselves, and on the other by the plain certainty that without this protection the working class would become enfeebled), and finally its limits fixed by the pressure of the labor unions.

order to surpass his competitors. Supposing that, by the employment of a new method of working, he succeeds in producing in half an hour an article up to that time generally made in an hour, he will then obtain an extra profit as long as his competitors do not employ this method. But as soon as the latter have improved their production in the same way, the time socially necessary falls from an hour to half an hour, and the extra profit of the man who first introduced the method ceases. The result that remains is this: the value of labor has decreased, and the relative surplus-value has consequently increased, in so far as the commodities whose value has declined are destined to provide for the needs of the workmen.

Before entering upon the consideration of some of the methods for shortening the necessary hours of labor, attention must be fixed upon the fact that, aside from this method, the capitalist tries above all to lower the price of labor below its value, while the workers for their part, oppose this tendency and try to obtain the contrary; whence there results a new cause for an inexorable struggle between labor and capital, side by side with that over the length of the working-day.

Let us now examine the methods of abridging the labor-time necessary, beginning with co-operation. As we have seen above, the capitalistic method of production begins when the capitalist has in his service a sufficiently large number of workmen. In the days of the guilds the master had also paid workers, but the surplus-value which he procured from them was not great, since their number was small, a fact which obliged him to

work with them, since without this his income would have been too small. The true capitalist is he who is permitted by the amount of the surplus-value which he receives to live according to his rank, without working with his laborers, reserving to himself only the direction of affairs.

The difference, therefore, between capitalistic production and that at the time of the guilds is in the first place only quantitative, but there come in qualitative differences as well. In the first place the differences in the individual capacities of the workmen disappear; the ability of one neutralizes the smaller ability of the other, so that the capitalist can count upon an average amount of labor. Next there is economy in the new arrangement; because a structure to hold twenty-five workmen working together costs less than twenty-five structures with one workman in each. Finally, the most important of all, by having a number of men working together, each doing his own share toward the common end, we bring about a systematic working together, that is to say, co-operation, which brings into being a new collective force greater than the sum of the individual forces. Not only does co-operation permit the accomplishment of work requiring a greater expenditure of energy, but it also raises the productivity of labor. The direction necessary for this joint labor falls to the capitalist as such. Submission of the workman to the capitalist is, then, an indispensable condition of the capitalistic method of production.

We come now to another method for increasing the relative amount of the surplus-value, the manufactory proper, a more developed form of

coöperation, which became general between the middle of the sixteenth century and the end of the eighteenth. This comes from two causes. On the one side it is due to the combination of different trades, up to that point independent of each other. The manufacture of a carriage, for example, requires the work of a wheelwright, a harness maker, a painter, etc., who all exercise their trades independently of each other. The capitalist unites them all in one trade, that of carriage-maker, in which the occupation of each becomes more limited, more specialized. The painter, for example, becomes especially a painter of carriages. On the other side the manufactory is due to the bringing together of workmen of the same trade into a single workshop, and to the division of labor made possible in this way. Thus, for instance, in the manufacture of pins, each pin is no longer made by a single workman but by several, each of whom does only a special part of the work.

It is clear that through the introduction of manufactory methods the productivity of labor has been enormously increased, so that the time necessary for the production of the necessaries of life for the workmen has become shorter, and the surplus-value correspondingly augmented. The part taken by the workman in the process of production is quite different from what it was in the time of the guilds. The different operations that he performed in making the complete product are now replaced by the monotonous and repeated production of a single one of the parts. From this point dates the division of workmen into skilled and unskilled laborers. The latter are those whose work is such as to require little or no apprenticeship,

and they are the cause of a new lowering of the price of labor.

We have still to take up the question of the introduction of machinery and of manufacturing on a large scale. Although at the period of the early manufactories the workman was obliged to perform a monotonous task, which in so far may be called "mechanical," yet this task was performed, though with the aid of tools, by his own hands. But in the eighteenth century the machine was invented, that is to say, a mechanism which took the place both of the workman and of his tools. Machines were introduced because they saved hand-work, and consequently lowered the price of the product and relatively increased the surplus-value.

Each developed mechanism is composed of three parts: the motor, the transmission, and the operating part. It is to the development of this last that the economic revolution of the eighteenth century is due. However, there was needed a motive power greater and more regular than those then available. The steam engine, invented by James Watt, provided for this need and, in its turn, led to new developments of operating machinery. The steam engine was capable of running many operating machines at the same time, and thus the modern factory was established. In branches in which the product requires a series of different manipulations, a system of machines has been contrived of which one furnishes the material to the next without the intervention of hands, so that a system of automatic mechanism has been produced.

The revolution caused by the introduction of ma-

chines in one branch of industry necessitated its introduction into another, etc. The means of communication and of transportation were extended. The steamboat, the railroad, and the telegraph were invented. Because of important inventions in the manufacture of machines it finally became possible to produce the necessary quantity of machines of all kinds.

What are the most important consequences of the new system of production. In the first place stands the introduction of the labor of women and children, since tending machines generally does not require great muscular strength. The advantages which accrue to the capitalist from the employment of women and children are obvious. Since the price of the workman's labor is determined by the time necessary for the production of the necessities of life not only for himself, but also for his family, as soon as the whole family are compelled to sell their labor, the price of that labor will simply equal that of the labor of the workman alone. Ordinarily the income of the family will rise a little under these circumstances, but, because of the absence of the wife from the household, expenses will increase also. The increase of the surplus-value, obtained by the labor of women and children, is therefore important. Besides, the women and children have less power to resist the capitalist than men have, while the men, in their turn, are weakened by the competition of women and children.

In the second place the introduction of machines produces in the mind of the capitalist a desire to

prolong the working day as much as possible, for the following reasons among others. The greater the number of hours each day in which the machine is in operation, the more quickly it will return its cost through the product, and, other things being equal, the shorter will be the time required for the capitalist to gain the same amount of surplus-value. Suppose A works his machines for eight hours a day, and B works as many machines for sixteen hours: B's machines will return their cost through the product in half the time needed by A's. Consequently B will gain double the surplus-value in the same time, so that A also will be driven to work his machines for 16 hours. And since a machine deteriorates even when it is not in use, there is, when the machines are stopped, a loss of value which the capitalist cannot retrieve. Hence the tendency to prolong the working day. In the third place every capitalist runs the danger of seeing his competitors introduce new machines which save still more work and so diminish the value of his own. The more quickly a machine returns its cost, the less the danger just mentioned becomes.

Finally, I have still to notice the following cause for the prolongation of the working day. The object of the employment of machines is the increase of the surplus-value through their use. This increase, however, is possible only through the diminution in the number of workmen employed by the capitalist. But since the surplus-value is created only by the workmen, any diminution in their number is to the disadvantage of the capitalist. In order to overcome this he attempts to prolong the day.

The more machinery is developed, the more the attention which the workman must give to his work increases; in other words, the more intense the labor becomes. The tendency of the capitalist to increase the intensity of labor reaches its apogee as soon as the working time is limited, for different reasons. In order that the surplus-value may be equal to what it was formerly, the workman, for example, must produce as much in eleven hours as he formerly produced in 13 hours. The means by which the intensity of labor is increased (not to enter into unnecessary details) are: first, the manner of fixing wages—piece-work; and second, the practice of making the workmen tend more machines than formerly, and of driving the machines faster, so as to force the workmen to a greater intensity of labor.

The contest between the large manufacturing establishments and the small factories and workshops has led gradually but infallibly to the destruction of the latter. They are forced to maintain the competitive struggle by incredibly long hours of labor, by an unlimited exploitation of the labor of women and children, etc. In this way it is often possible to resist competition for some time, but finally the large manufactory triumphs all along the line.

Agriculture also, though to a less degree than manufacturing, has been revolutionized by the introduction of machines. Rural workers who have become superfluous have betaken themselves to the cities, and there go to swell the population already enormously increased by industrialism.

The exposition which I have just given of the origin of the surplus-value is sufficient for this work. It is not necessary for our subject to stop to consider the fact that a part of the surplus-value is destined to become capital, while the other part is consumed by those who have appropriated the whole. As has been shown above, the employment of machines, etc., has increased in every branch of industry, and this has brought it about that the capital necessary to any manufacturing establishment increases continually under the pressure of competition. Hence it follows that capitalism itself forces the capitalist to invest as new capital part of the surplus-value acquired by him. But aside from this, it is capitalism also that produces the capitalist penchant for always investing more capital, which, in its turn, produces a greater surplus-value than the original capital, etc. And since the accumulation of capital has no limits, the greediness of the capitalist has none, and he is driven to increase his capital incessantly, even when his income is so great that it permits him to satisfy every possible need.

However, the group of capitalists of which we have been speaking is not the only one that gains surplus-value. Industrial capital is obliged to share the total surplus-value with commercial capital, the capital consisting of money, and that consisting of real estate. In the first place, a part of the surplus-value is claimed by commercial capital. For the economic system in force would not be able to operate without commerce. The development of capitalism has led to an extensive division of labor in the class of capitalists (banks, insurance com-

panies, etc.), and the capital invested in these enterprises must equally have its share of the total surplus-value. Capital in the form of money plays an increasingly important part in modern capitalism, and so must have its share of the surplus-value.

The owners of the soil also appropriate a considerable part. The land is the most indispensable means of production, and is incapable of being increased at will. As capitalism increases, the demand for territory becomes greater and greater. This causes the ground rents in general to rise, which means that the share of the total surplus-value which the landowners appropriate becomes greater and greater. It is especially in the cities, which are highly developed under capitalism, and in which, consequently, the demand for land is great and the supply relatively small, that the ground rents have risen to an unheard of degree, and this to the prejudice of the health and happiness of the less privileged classes.

Up to this point we have been necessarily supposing that the capitalist succeeds in making a profit. But, as we know, it often happens that he does not attain his end, that his capital produces no added value, that he even loses it entirely or in part. This case being important for the subject in hand we must stop to consider it for a moment. As has been shown above, the capitalist begins by purchasing labor and the means of production in order to set in motion the process of production. For him the difficulty then consists of selling the manufactured product at its value and of thus realizing the added value which is a part of this. At times, aided by circumstances, he succeeds in selling the

product above its value, and so making an extra profit. On the other hand, he runs the risk of having to sell the product below its value, or of not being able to sell it at all.

The causes of the poor success of the process are of different kinds. In the first place, the capitalist may not have the ability necessary for the direction of the process of production. For example, the product made under his management may be inferior to that of his competitor, though the cost of production is the same: The means of production may be purchased at too high a price: he may not have been in touch with the tastes of consumers, etc.; reasons all of which render his product unsaleable, or saleable at a loss.

In the second place, circumstances independent of his own act may present themselves which have the same result. Let us look at some of them. To begin with, the unforeseen cessation of payment on the part of one of his important debtors may oblige him to sell his goods at a sacrifice in order to satisfy his creditors. Again, he may lack the capital necessary to meet competition. For the amount of capital necessary in every branch of industry or commerce becomes greater and greater, and the man who cannot procure this capital is forced little by little to give ground to his competitors and finally to give up business altogether.

In the third place, it very often happens that as a result of competition, there is an over supply of commodities, which from this very fact are unsaleable, or must be sold for less than their value. In the periods of prosperity this case is not general. But it is the rule in crises. Because of their great

importance to the relation between criminality and economic conditions, it is necessary to pause here to examine the cause and origin of these crises.

Economic crises, that is to say, periods in which the economic life is greatly disturbed, are due to various circumstances; for example, to a war which puts obstacles in the way of the regular continuance of international commerce. But aside from such causes there are others which are natural to the present economic system itself, and which bring on these crises periodically. It is these causes, which are the most important, of which it is necessary to treat here.

A crisis is the result of over-production. This does not imply that in every case overproduction will bring about a crisis. If one who is producing for his own consumption happens to produce more than he can consume, the result will be that during a certain period he will proceed to produce less, and the equilibrium will be re-established. But when one manufactures not for himself but for the market the situation is entirely different. Each manufacturer of commodities produces separately, that is to say, without any understanding with his fellow manufacturers, articles of which he himself has no need, but which he attempts to exchange for money in order to obtain what he does need. If he does not succeed in selling his commodities he is left without money to buy the commodities that are necessary to him. Over-production can thus have very harmful results for those who hold commodities.

Now how does it happen that the capitalistic mode of production causes periodically a produc-

tion greater than the possible consumption? (It goes without saying that this phrase is not to be taken to mean that the consumers are physically incapable of using the product, but merely that there are not enough buyers). As has been shown above, capitalistic production is carried on for the sake of the added values, that is to say, the value of the unpaid labor. In other words, the working class produces more than it consumes. In feudal society the surplus was entirely consumed by the class which appropriated it; at present, on the contrary, the owning class use part of the surplus to form new capital. From this comes a continually increasing accumulation of capital, and consequently a greater and greater quantity of products which in the end find no buyer. For the extension of production increases the number of workmen necessary, and consequently increases the demand also, but these workmen produce in their turn more than they consume. The over-production is not, then, neutralized by a greater consumption. On the contrary it furnishes the material for an over-production still greater. Hence capitalism causes crises periodically as the result of an overproduction caused by too small a consumption on the part of the working class.

Since the mass of capital increases without cessation it is indispensable to find new investments, and to broaden the market. From this it results, among other things, that the capitalist class is forced to take up the policy of political expansion and to conquer countries where capitalism has not yet become rooted. If it succeeds in finding a new outlet, then, production increases enormously, existing fac-

tories are enlarged, new ones are established, etc., and the new market is inundated with goods. But in the end this market ceases to be able to absorb the continually increasing mass of products, so much the more since the production of the country itself also increases as capitalism gains foothold there. The commodities remain, then, unsold, and a crisis is begun. Production must be stopped or decreased; the stock of commodities being thus made smaller the equilibrium begins little by little to re-establish itself; after which the movement is repeated. But since the capitalistic method of production little by little spreads itself over the whole earth, it becomes increasingly difficult to find countries where capitalism has not been implanted. Hence over-production tends to become chronic.

Besides the cause already set forth there is still another circumstance which can produce a crisis or aggravate one already existing; I refer to the lack of order in the present mode of production. Suppose that the demand for iron is great at any given moment. The production will then increase so quickly, and in such a degree (each manufacturer ignoring what his competitors are doing), that the supply will far exceed the demand. As a result manufacturing will be checked. As soon as over-production occurs in as important a branch of industry as the manufacture of iron, there will follow also a stoppage of production in other branches, and a general crisis will ensue.

The consequences of a crisis for the capitalist class are well known. Many are forced to stop producing, are no longer able to pay their creditors, and draw many of their debtors in their train. Because of the complexity of the present system of

production the consequences of a crisis are very far reaching. It is naturally the small capitalists who are stricken first, whence it follows that during crises there is a great concentration of capital.

Just as in the first part of this discussion I proceeded on the assumption that the capitalist always attains his end, *i.e.*, gains the surplus-value, just so I have also been speaking as if the workman always sold his labor. Let us look now at the case of the man who does not succeed in selling it. In order that a contract be entered into between capitalist and workman it is necessary that labor be desired and offered. If the workman for his part cannot deliver the labor contracted for, or not enough of it, whether from sickness or from weakness, it is perhaps but a question of exchange, and the workman is abandoned to his fate. Capitalism rests upon this fact that there is a class of men, much more numerous than any other, who are deprived of everything and consequently are forced to sell their labor; otherwise no workman would care to close a contract.

Let us look at the other side of the question, when the supply of labor exceeds the demand. Those who do not succeed in selling their labor are then equally abandoned to their own resources. From what causes in the capitalistic method of production does it happen that the supply of labor is in excess of the demand? Are these causes to be found in too great an increase in the population, or in the method of production itself?

It has been shown above that the composition of capital changes incessantly. Machinery becomes more and more developed and a great part of capital is composed of machines. The introduction of

machines has taken place because they economise labor. Thus a certain number of workmen find themselves without occupation. It is true that there is a mitigating circumstance, namely that there is an increased demand for labor in other branches (manufacture of machines), but this demand can never be as great as the amount of labor rendered superfluous by machinery, for otherwise machines would never have been introduced. However short the apprenticeship required by modern industry, it is nevertheless impossible, for a workman to change from one branch to another at short notice. Thus the consequences for workmen thrown out of employment continue to be serious notwithstanding the increased demand in another branch. The only case in which the introduction of machines will occasion no unemployment will be when the demand for commodities increases extraordinarily, as, for example, when a new market is opened up.

However, there are still other causes of forced unemployment. Such are the introduction of the labor of women and children, the migration of rural workers to the cities, immigration from backward countries, and the supplanting of small businesses, by which members of the lower middle class are forced down into the proletariat.

The causes of over-population are found, then, in the system of production itself, and not in a too great increase of the population; a conclusion to be drawn also from the fact that as far as actual productivity of labor is concerned each produces more than enough for his needs. There are, then, always a number of persons who desire to work but cannot find employment. In periods of crisis the number of these increases enormously. The

so-called "reserve army of labor" is a condition indispensable to capitalism. Without it sudden development in periods of prosperity would be impossible. Without it also the power of organized labor would become so great that the surplus-value would run serious danger. It is just because the supply of labor exceeds the demand that the power of the capitalist over the workmen is so great, and also that it happens so often that the interests of the workmen are thwarted

We now come to the end of my exposition. For our subject it is unnecessary to continue it further. I should like, however, to draw attention to two more points. The continually increasing concentration of capital has as a consequence that the conduct of the business under the direction of the capitalist himself more and more gives place to the stock company, which combines the capital of numerous persons, and gives the direction to a salaried employe. Following this, concentration drives the owners in one branch of industry to combine for the purpose of eliminating competition, and thus of increasing profits; in this way the "trusts" come into being. Competition, the fundamental principle of capitalism, is changed into its opposite, monopoly.

MILITARISM.

We may be very brief upon the co-relation of militarism and the present economic system. This co-relation is so clear that there are few persons who deny it. The motives which, under all other earlier modes of production have engendered wars are principally of an economic nature. But besides these there have been at times others; but we have not to enquire here what was in the last analysis their co-relation with the mode of production of that day. The relation between capitalism and war is always so close that we can find in the economic life the direct causes of the wars waged under the empire of capitalism.

As we have seen above in our exposition of the present economic system, a part of the surplus-value that comes to the moneyed class is invested as new capital. The continually increasing amount of capital does not readily find investment in full in a country where capitalism is already in force. This is why the moneyed class desires to invest a part of the surplus-value in countries whither capitalism has not yet penetrated. If the inhabitants of the country chosen as field of operation are opposed to this, or if the same country is coveted by other capitalistic powers, the resulting antagonism, generally leads to war.

In the second place, the producers can sell in their own country only a part of the increasing quantity of their products; whence come their efforts to find an outlet into other countries. But as capitalism expands with increasing rapidity over the whole world, the difficulty of finding a country in a position to buy, or to which capitalism has not yet pene-

trated, becomes greater and greater. Encounters with other capitalistic powers pursuing the same end are the inevitable consequence.

It is upon the State that the task is imposed of finding new territories where capital may be invested, or new outlets for goods which do not find purchasers in the country where they are produced. Beside the duty of the State to maintain a certain order in a society confused and complicated through the nature of our economic life (civil and criminal jurisprudence), there is its more important duty of warding off other groups of competitors, or even at need attacking them by force of arms.

But the army serves not only to act against the foreigner, it has equally a domestic duty to fulfill. In the cases where the police cannot maintain order the army reinforces them. The army must especially then be active at the time of great strikes, when so-called free labor is to be protected, that is when employers are trying to replace the striking workmen with others who, in consequence of poverty, or lack of organization, put their personal interests above those of their comrades. Also it has its part to play in connection with great political movements like that to obtain universal suffrage, for example.

Our present militarism, is, therefore, a consequence of capitalism. The double duty of the army proves it; for its function is to furnish the bourgeoisie with the means of restraining the proletariat at home, and of repulsing and of attacking the forces of foreign countries .

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